

# Economics and Personal Finance

## **1. Identify opportunity costs and trade-offs involved in making choices about how to use scarce economic resources.**

- 1.1 Define and give examples of economic wants and needs
- 1.2 Explain how economic wants are satisfied
- 1.3 Identify the resources (factors of production) that are used to satisfy economic wants
- 1.4 Define and give examples of scarcity
- 1.5 Explain and give examples of the opportunity costs of choices made by individuals and society
- 1.6 Explain why scarcity requires individuals, governments, and societies to make choices
- 1.7 Demonstrate an understanding of rational economic decision-making by explaining the costs and benefits of alternative choices in a given situation
- 1.8 Apply the steps in a rational decision-making process to a situation involving an economic decision by an individual and a group
- 1.9 Explain the concept of marginalism as it applies to producers and consumers
- 1.10 Explain the relationship between scarcity or choice and the production possibilities curve
- 1.11 Evaluate the trade-offs between economic growth, security, and freedom using given problems confronting a society

## **2. Use a rational decision-making process as it applies to the roles of citizens, workers, and consumers.**

- 2.1 Recognize the consequences of making economic choices
- 2.2 Identify alternative choices
- 2.3 Make simple economic choices based on personal resources
- 2.4 Apply the steps in a rational decision-making process to a situation involving an economic decision by an individual
- 2.5 Differentiate between types of decisions and identify those that require a formal decision-making process
- 2.6 Apply a rational decision-making process to various types of decisions at different stages of the life cycle

## **3. Explain the importance of productivity, and discuss how specialization, division of labor, saving, investment in capital goods and human resources, and technological change affect productivity.**

- 3.1 Define and give examples of specialization
- 3.2 Identify how specialization generally increases output in the economy
- 3.3 Describe the relationship between investment in capital and human resources and increased productivity
- 3.4 Explain why specialization and division of labor usually increase productivity
- 3.5 Explain how the relationship of input to output affects the level of productivity over a given period
- 3.6 Explain why it is necessary for trade to exist in a society
- 3.7 Describe why increased economic output in an economy generally increases the overall standard of living of a society
- 3.8 Describe the type of opportunity costs and economic risks involved when investing in capital and human resources to increase productivity
- 3.9 Discuss the effects of government expenditures, regulations, and tax policies on productivity
- 3.10 Explain how research and development is funded and why it is important
- 3.11 Evaluate the effects of technological advances on individuals and productivity in an economy
- 3.12 Explain the principles of diminishing returns and illustrate how it relates to productivity
- 3.13 Explain the law of variable proportions and its effect on total output (e.g., what might cause profit-maximizing firms to change input proportions)
- 3.14 Evaluate the effect of specialization on activities in an economic system

**4. Explain why societies develop economic systems, identify the basic features of different economic systems, and discuss the major features of the U.S. economy.**

- 4.1 Identify why a society needs an economic system
- 4.2 Identify questions that must be answered by any economic system (e.g., what is to be produced, how it is to be produced, and for whom)
- 4.3 Discuss advantages and disadvantages of different types of economic systems with primary focus on planned and market systems
- 4.4 Explain the concept of a mixed economy
- 4.5 Identify the types of economic systems in the United States
- 4.6 Describe the major features of the U.S. economy (e.g., profit, competitive markets, and private ownership of property)
- 4.7 Describe the role of individual households and business firms in making production and distribution decisions in a market economy
- 4.8 Describe the components of the circular flow of economic activity and illustrate how they interact with each other
- 4.9 Describe the difference in determining wages and prices in command and market economies
- 4.10 Explain why economic systems are evaluated for their ability to achieve non-economic as well as economic goals
- 4.11 Discuss private ownership of property, profit, competition, and private enterprise as basic features of a market economy
- 4.12 Explain the government's role in the U.S. economy
- 4.13 Explain how the U.S. economy encourages entrepreneurs
- 4.14 Analyze the strengths and weaknesses of alternative economic systems
- 4.15 Critique the merits of an economic system's performance based on the criteria of freedom, efficiency, equity, security, employment, stability, and growth

**5. Explain the role of core economic institutions and incentives in the U.S. economy.**

- 5.1 Define profit and the role of profit-making companies in our economy
- 5.2 Explain how individuals or family units provide productive resources of land, labor, capital, and entrepreneurship
- 5.3 Identify the returns for various productive resources (e.g., interest, rent, profit, wages)
- 5.4 Describe the role of profit in our economy and the relationship of profit to risk
- 5.5 Describe different kinds of economic institutions in our economy (e.g., households, businesses, banks, government agencies, labor unions)
- 5.6 Explain the purpose of incentives and disincentives in our economy and give examples of each
- 5.7 Explain how cultural traditions and customs influence economic behavior in our society
- 5.8 Provide examples of economic institutions and incentives
- 5.9 Explain how specific financial and non-financial incentives influence economic behavior of different individuals in different ways
- 5.10 Analyze reasons why a society's allocation of resources will be affected by its laws, public policy, and taxation
- 5.11 Explain why institutions differ in response to particular situations as a result of pursuing their own self-interest (e.g., households with business, business with labor, households with government)
- 5.12 Discuss ways in which profits are used in a market-oriented economy
- 5.13 Identify major functions of the public sector in a market economy
- 5.14 Explain the direct and indirect roles of government as an institution
- 5.15 Provide illustrations of how the market system requires a give-and-take between institutions and individuals

**6. Explain the role of exchange and money in an economic system and describe the effect of interdependence on economic activity.**

- 6.1 Explain the meaning of exchange and interdependence
- 6.2 Describe the concept of barter and explain its limitations
- 6.3 Explain why money has replaced barter as a more efficient system of exchange
- 6.4 Identify money as an accepted medium of exchange used to purchase goods and services in an economy
- 6.5 Explain why the exchange of goods and services encourage specialization
- 6.6 Describe the function of money as a standard of value and explain why this is important
- 6.7 Describe the function of money as a store of value and explain why this is important
- 6.8 Analyze the influence of events such as politics, natural disasters, and environmental factors on the degree of interdependence between trading partners
- 6.9 Explain why and illustrate how money can contribute to an increased number of exchanges, greater specialization and interdependence, and a higher standard of living in an economy
- 6.10 Explain the concept of transaction costs
- 6.11 Explain why a decrease in transaction costs will result in an increase in the number of exchanges being made
- 6.12 Illustrate how total money supply and velocity of money affect price level and total transactions in our economy
- 6.13 Describe how an initial increase in the money supply has a multiplier effect on the level of economic activity in our economy

**7. Describe the role of markets and prices in the U.S. economy.**

- 7.1 Define price
- 7.2 Describe and give examples of markets for goods and services in our economy
- 7.3 Analyze the relationship of relative price to relative scarcity when prices are set by the market forces of supply and demand
- 7.4 Describe how relative prices affect buying and selling decisions of producers and consumers and determine what, how, and for whom economic goods and services are produced in our economy
- 7.5 Explain how prices are used to ration limited resources, goods, and services in our economy
- 7.6 Explain market clearing price and graph with supply and demand curves
- 7.7 Describe why and how consumers our economy use relative prices to determine the most advantageous combination of goods and services to purchase
- 7.8 Explain how efficient production and allocation of goods and services in a market economy are based on pricing information
- 7.9 Explain why changes in relative price ratios among resources create incentives for resources to move or be reallocated in our economy
- 7.10 Describe the difference between absolute and relative prices and how changes in both affect supply and demand
- 7.11 Describe the effect of the global economy on U.S. markets

**8. Analyze the role of the law of supply and demand in the U.S. economy.**

- 8.1 Describe the law of supply and demand
- 8.2 Identify determinants of supply and demand for goods and services
- 8.3 Explain how decisions made by individual consumers (buyers) and producers (sellers) affect supply and demand
- 8.4 Define market clearing price
- 8.5 Explain why quantity demanded and quantity supplied change with price levels
- 8.6 Explain why supply and demand shifts occur
- 8.7 Explain why equilibrium price changes due to shifts in supply and demand
- 8.8 Explain why prices set by supply and demand are measures of the relative scarcity of a good or service

- 8.9 Explain why shortages, surpluses, and long-run allocation problems occur when price controls are enforced
- 8.10 Describe the concept of elasticity and inelasticity and its importance to buyers and sellers
- 8.11 Identify factors that affect the price of goods or services in markets that are not purely competitive

**9. Describe different types of competitive structures and illustrate the role of competitive markets in the U.S. and other economies.**

- 9.1 Recognize that buyers and sellers establish prices for identical and similar products in settings called markets
- 9.2 Explain how competition among sellers of a good or service generally results in lower prices for buyers and lower profits for sellers
- 9.3 Describe how competition among buyers of a good or service generally results in higher prices for buyers and higher profits for sellers
- 9.4 Describe monopoly and determine the role of government in preventing private monopolies and regulating public monopolies
- 9.5 Describe how competition in a purely competitive market encourages the production of higher quality goods and services
- 9.6 Define oligopoly and explain how such markets function with a few large producers selling a product that has relatively few substitutes
- 9.7 Describe how collusion affects competitive markets
- 9.8 Discuss the major barriers to new firms entering a competitive market and how the barriers affect the level of competition in an industry
- 9.9 Discuss examples of U.S. laws and government regulations that are designed to maintain competition
- 9.10 Identify examples of U.S. laws and government regulation that have had the effect of reducing competition
- 9.11 Explain monopolistic competition and identify examples of nonprice competition
- 9.12 Discuss ways that government can correct for the over- or underproduction or consumption of goods affected by externalities (e.g., tax policies, subsidies, and regulations)
- 9.13 Describe how economic analysis can help determine where market failures are important enough to justify corrective actions by government

**10. Manage limited personal financial resources and recognize that more of the wants and needs of members of a society can be satisfied if wise consumer decisions are made.**

- 10.1 Comparison shop for purchases
- 10.2 Identify alternative sources for purchases such as co-op, retail, discount, mail, and television
- 10.3 Explain why there is variance in price for a given item bought from different suppliers
- 10.4 Analyze the role that supply and demand play in determining the availability and price of goods and services
- 10.5 Identify goods and services and distinguish between the two
- 10.6 Identify personal wants and needs for goods and services
- 10.7 Collect information about products that meet specific needs and wants
- 10.8 Determine personal resources for meeting needs and wants
- 10.9 Evaluate available buying options given personal financial resources
- 10.10 Identify the steps in a rational decision-making process as part of a buying decision
- 10.11 Apply a rational decision-making process to making personal buying decisions
- 10.12 Use published consumer resources to collect information for making buying decisions
- 10.13 Given a buying decision involving significant financial resources, use a rational decision-making process to make effective buying decisions
- 10.14 Explain when and why borrowing is used for the purchase of goods or services
- 10.15 Explain credit and why it is used
- 10.16 Define interest and explain why it is charged
- 10.17 Explain the role of credit in a market economy

- 10.18 Identify sources of credit and the types of credit they offer
- 10.19 Select an appropriate form of credit for a particular buying decision
- 10.20 Determine advantages and disadvantages of credit
- 10.21 Explain credit ratings and describe why they are important to consumers in our economic system
- 10.22 Compare and contrast the legal aspects of different forms of credit (e.g., credit cards, installment loans, mortgages)
- 10.23 Compare and contrast the legal aspects of different sources of credit (e.g., pawnshops, revolving charge accounts, banks, credit bureaus)
- 10.24 Calculate the true cost of credit for various credit uses (e.g., continuously making minimum credit card payments, total mortgage interest)
- 10.25 Identify various sources of personal spending money (e.g., gifts, allowances)
- 10.26 Identify ways in which individuals and families obtain financial resources
- 10.27 Identify factors that influence income from employment (e.g., occupational choice, gender, ethnic background, educational level)
- 10.28 Define transfer payments, provide examples, and explain why they are used in our economy
- 10.29 Define various types of income derived from investments
- 10.30 Explain how factors such as demand for a given occupation, interest rates, and stages of the business cycle influence the level of income earned from various sources
- 10.31 Identify personal values and goals
- 10.32 Determine the financial resources needed to satisfy personal values and goals for a given time period
- 10.33 Develop a plan to allocate financial resources to meet an individual's financial goals
- 10.34 Compare a personal spending plan with typical consumer spending for major categories to determine appropriate levels of spending to meet individual financial goals
- 10.35 Describe how income and spending patterns change throughout the life cycle for the typical person and family
- 10.36 Describe why and how people save
- 10.37 Describe the advantages and disadvantages of different saving and investing plans
- 10.38 Analyze the factors that affect the rate of return on a given savings or investment plan (e.g., risk, current interest rate, liquidity)
- 10.39 Explain why a savings and investing plan changes as one proceeds through the life cycle
- 10.40 Differentiate between interest, dividends, capital gains, and rent from property
- 10.41 Describe how saving and investing influences economic growth (capital formation)
- 10.42 List the basic services provided by banks
- 10.43 Identify services that financial institutions provide to customers
- 10.44 Perform the steps involved in opening and using a checking account
- 10.45 Reconcile a bank statement
- 10.46 Describe the functions of the banking system in the U.S. economy
- 10.47 Explain the role of the central bank (Federal Reserve System) in the banking system of the United States
- 10.48 Identify risks in life and how to gain protection against the consequences of risks
- 10.49 Explain how all types of insurance are based on the concepts of risk sharing and statistical probability
- 10.50 Identify the types of insurance associated with different types of risk
- 10.51 Explain why insurance needs change throughout the life cycle
- 10.52 Identify various suppliers of insurance (public and private)
- 10.53 Given a particular level of financial resources, determine the level of insurance protection needed for various types of risk
- 10.54 Explain taxes and give examples of how they are used
- 10.55 Identify the types of taxes that are major sources of revenue for government (e.g., income, wealth, and consumption taxes)
- 10.56 Calculate personal tax liabilities for various types of taxes, such as property, income, sales, and FICA taxes
- 10.57 Describe the purposes of taxation (e.g., provision of public services, redistribution of income, and attainment of public economic goals)

- 10.58 Explain the impact of taxes on personal financial planning
- 10.59 Develop spending and investing plans that maximize financial returns given present personal income tax policy
- 10.60 Give examples of different types of natural resources
- 10.61 Identify the goods and services that are derived from natural resources
- 10.62 Explain why natural resources should be conserved and used efficiently
- 10.63 Explain how and why natural resources are depleted by manufacturing and consumption of goods and services
- 10.64 Distinguish between renewable and non-renewable natural resources
- 10.65 Recognize the relationship between available natural resources and an economy's standard of living
- 10.66 Explain how taking care of the finished goods one purchases is a way of conserving resources
- 10.67 Describe the roles that consumers and producers play in the depletion of natural resources
- 10.68 Describe the actions that consumers and producers can take to conserve and efficiently use natural resources
- 10.69 Explain how natural resources are allocated in a market economy
- 10.70 Present the arguments for and against economic growth that depletes natural resources from the viewpoints of conservationists and businesses
- 10.71 Debate the issue of imbalance of consumption of natural resources between developed and developing economies

**11. Explain how the U.S. economy functions as a whole and describe macro-economic measures of economic activity such as gross domestic product, unemployment, and inflation.**

- 11.1 Define unemployment and describe what it would be like to be a member of a family where no one is employed
- 11.2 Identify the components of the labor force
- 11.3 Explain the Consumer Price Index
- 11.4 Determine the importance of Gross Domestic Product (GDP) as a measure of economic activity in a society
- 11.5 Discuss major factors that affect the level of a county's GDP (e.g., quantity and quality of natural resources, size and skill of the labor force, and size and quality of capital stock)
- 11.6 Explain the government's role with respect to unemployment and its relationship to business owners
- 11.7 Report the GDP for the U.S. for the most recent year it is available and determine how it was calculated
- 11.8 Report the GDP for a nation on each of the world's continents and analyze the reasons for the differences in levels of GDP
- 11.9 Explain how level of disposable income is an important economic factor
- 11.10 Explain how one person's spending becomes another person's income

**12. Discuss the role of government in an economic system, especially the necessary and desirable role of government in the U.S. economy.**

- 12.1 Provide examples of goods and services that are provided by the government
- 12.2 Identify four basic categories of earned income
- 12.3 Explain the role of government taxation and its effect on consumers and producers
- 12.4 Define and give examples of progressive, regressive, and proportional taxes and their effect on specific income groups
- 12.5 Explain how government's redistribution of income through taxation, spending, and assistance
- 12.6 Programs affects the well-being of people and business firms in an economy
- 12.7 Differentiate between monetary and fiscal policies and identify when it may be appropriate to use each
- 12.8 Analyze the effect of national debt on the level of economic activity
- 12.9 Describe why the Federal Reserve System has limited ability to control the total amount of money in the U.S. economy

12.10 Critique the effectiveness of using each of the Federal Reserve's policies to influence the level of economic activity in the U.S.

**13. Describe rights and responsibilities of citizens in the U.S. economy, including their role in making decisions through the political process that affect the allocation of limited personal and public resources to meet individual and societal needs and wants.**

- 13.1 Identify examples of consumer rights(e.g., consumer safety, right to be informed)
- 13.2 Identify responsibilities corresponding to individual consumer rights
- 13.3 Recognize how competition affects the right to choose from a variety of products at fair or competitive prices
- 13.4 Describe how legislation defines and protects consumer rights
- 13.5 Identify actions that demonstrate the exercise of consumer rights and responsibilities
- 13.6 Examine how societal needs are balanced against the individual's rights and responsibilities (e.g., affirmative action, smokers' rights, protection of environment)
- 13.7 Explain how an individual's role as consumer and citizen may conflict on public policy issues
- 13.8 Identify public forums that address consumer rights and responsibilities and describe how an individual can participate in those forums
- 13.9 Recognize that laws are available to protect the rights of consumers
- 13.10 Differentiate among informative (e.g., nutritional labeling), protective (e.g., seatbelts/child safety seats), and enabling (e.g., disabilities laws) laws and give examples of each
- 13.11 Describe the purposes of various consumer laws, and explain how they affect the consumer's wellbeing
- 13.12 Explain how consumer legislation may affect consumer product prices through additional manufacturer costs, and weigh the benefits of greater protection against additional cost (e.g., protection of airbags vs. higher price of car)
- 13.13 Debate the cost to society of fewer vs. more consumer-oriented laws
- 13.14 Describe how a local business can be a source of consumer assistance
- 13.15 Identify local and state consumer organizations, businesses, or government agencies that provide consumer assistance
- 13.16 Identify national sources of consumer assistance (e.g., FTC, FDA)
- 13.17 Explain the arbitration process that is available to help consumers resolve business disputes
- 13.18 Describe legal actions that may be taken to resolve consumer business disputes (e.g., small claims court, class action suits)
- 13.19 Evaluate the various legal alternatives that are available to consumers for resolving disputes
- 13.20 Recognize that the first source of complaint about a faulty product is the business from which it was purchased
- 13.21 Make effective oral and written complaints about product claims, misleading advertising, or faulty products to the appropriate source of redress
- 13.22 Differentiate among the various types of consumer fraud and explain steps that can be taken by victims to gain redress
- 13.23 Distinguish between fraudulent, misleading, and legitimate product claims, and explain what to do if such claims lead to the purchase of a faulty product
- 13.24 Using the various resources available for resolving consumer complaints, including consumer legislation and legal action, develop action steps that can be taken at each level from local through national organizations

**14. Examine the importance of economic relationships among nations and discuss the role of international trade and investment and international monetary relations in the global economy.**

- 14.1 Identify resources that are abundant or in short supply in the various countries throughout the world
- 14.2 Identify examples of goods or services that are exported from a particular state and the countries to which they are exported
- 14.3 Identify examples of goods or services that are used in a particular state or community that are imported from another country and the countries from which they are imported

- 14.4 Explain how specialization promotes international trade and how international trade increases total world output
- 14.5 Explain absolute advantage and how it influences trade among regions and nations
- 14.6 Explain comparative advantage and how it influences trade among regions and nations
- 14.7 Explain foreign exchange rates and why the value of currency changes
- 14.8 Explain how a change in the value of a nation's currency can affect the level of its imports and exports
- 14.9 Describe how and why nations restrict the free flow of goods and services into and out of their economy
- 14.10 Explain the advantages and disadvantages of free trade agreements between and among nations
- 14.11 Describe the components that make up the balance of payments between two nations
- 14.12 Explain why the balance of payments statistic for two nations reflects only a small portion of each nation's overall balance of payments account with the other nation
- 14.13 Describe how what is done in one nation affects the rest of the world and what is done in the rest of the world affects each individual nation

**15. Relate personal interests, wants, and abilities to career choices and assess how conditions in the labor market may affect career choices.**

- 15.1 Give examples of various types of jobs
- 15.2 Explain how types and availability of jobs are determined by consumer demand
- 15.3 Assess personal interest, abilities, and life goals
- 15.4 Differentiate among various occupational choices (e.g., service, manufacturing, agricultural, public service, professional, technical)
- 15.5 Analyze the characteristics and requirements of occupations of interest
- 15.6 Generalize how income will be affected by factors such as supply and demand, location, level of education, type of industry, union or non-union membership, gender, ethnicity, skill levels, and work ethics
- 15.7 Identify trends that cause change in the labor market
- 15.8 Describe the role of entrepreneurs in our economy, and assess entrepreneurship as a career option
- 15.9 Use a rational decision-making process in the selection of possible career choices
- 15.10 Produce a plan for preparing to enter a specific career
- 15.11 Assess the impact of sociological, economic, and technological change on future jobs